PRESS RELEASE: Vaduz/Vienna, June 28, 2016

- **Gold is back, a new bull market is emerging**
- **Increasing uncertainty about economic and political developments boosts the gold price**
- **Monetary stimulus ongoing: the BoJ and the ECB are creating the equivalent amount of the world's entire annual gold production via their QE programs each month**
- **BREXIT: Uncertainty will negatively affect growth. Further monetary and fiscal stimulus to be expected to counter further disintegration of the Union**
- **Dollar strength upon US-recovery and normalization was major contributor to gold/commodity weakness of the last years**
- **The narrative of economic recovery is crumbling; US recession cannot be ruled out; faith in monetary policy measures declines**
- **Continued depreciation of the US dollar and strength in commodities may lead to higher inflation, or maybe stagflation**
- **The persisting low interest rate environment is leading to a revival in interest in gold investments on the part of institutional investors**
- **In addition to gold, this generally means a positive environment for inflation-sensitive assets like silver and mining stocks**
- **Incrementum confirms its long-term price target of USD 2,300 for June 2018**

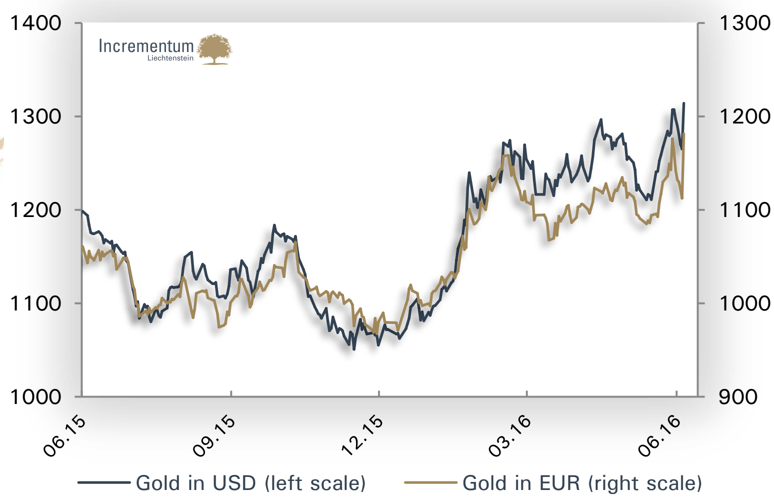
The 10th "In Gold we Trust" report will be presented at an international press conference on June 28, 2016. The 170-page publication is considered the "gold standard" of gold analysis and a must-read for all interested (gold) investors. Last year's issue was downloaded more than 1.5 million times, hence this report is one of the most widely read gold studies in the world.

The report can be downloaded here:

In Gold we Trust – Extended version (160 pages) – English
In Gold we Trust – Compact version (20 pages) – English

In 12 chapters the fund managers of the independent investment boutique Incrementum AG, Ronald-Peter Stöferle and Mark Valek, analyze the state of the international financial architecture and its interaction with the gold price. For many years the authors have taken a critical position on permanent monetary interventions and their consequences. Their stance is contrary to the prevailing opinion in the markets according to which the global economy has been successfully nursed to a path of recovery by Neo-Keynesian economic policy, which will be cut back sooner or later. **Instead Stöferle and Valek claim that the economic growth of recent years is artificial and fragile, while the current monetary system depends on permanent inflation.** In the report they examine measures such as ***negative interest rates and helicopter money***, that are likely to become increasingly relevant in the future, and discuss

Gold in Euro & US-Dollar since last Report

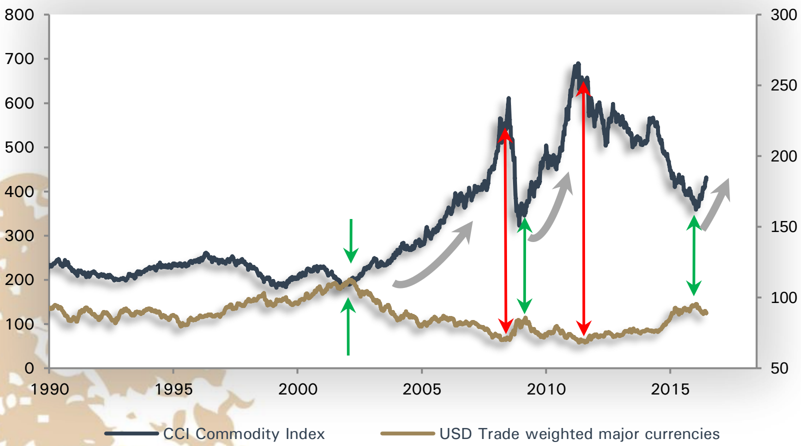


Source: Federal Reserve St. Louis, Incrementum AG their impact on gold.

The essential conclusion of the extensive gold study is: Gold is back! After years of falling price inflation rates, of a strong US dollar and market participants that lulled themselves into a false sense of security, the trend of inflation has reversed and first doubts regarding the narrative of the economic recovery have arisen. During the past 12 months uncertainty has found expression twice in significant stock market upheaval. In the course of the market meltdown in the beginning of this year the gold price displayed substantial momentum and had its strongest first quarter ever in USD terms.

The fact that the economic recovery is questioned more and more, is not surprising for the two fund managers from Liechtenstein. "We have always pointed out that a so-called 'self-sustaining recovery' can never be achieved by stubbornly printing money", says Stöferle. The tools of unconventional monetary policy might be suitable for a symptomatic treatment, but they intensify the underlying structural problems. **For the authors it is clear: Loose monetary policy was a major contributor to the unsustainable boom in the 2000s; the radical interventions during past recessions and stimulus measures in form of quantitative easing, zero and negative interest rate policy, etc. have undermined the economy's self-healing powers and made the system dependent on constant injections of money and credit.**

Inverse relation of commodity prices and the USD



Source: Federal Reserve St. Louis, Incrementum AG

Against this backdrop the 2008 financial crisis can be understood not as a turning point, but as a crucial point at which the credit-based house of cards was about to collapse. The final meltdown could only be averted by again applying extremely expansive measures. **Hence the post-Lehman economy does not differ fundamentally from the period before 2008, but only in terms of the dosage of the same types of measures (exactly the ones that had triggered the crisis in the first place). Central bankers are skating on increasingly thin ice – when it comes to low interest rate policy, they are virtually in a *lose-lose situation*:**

- **Continuing the low interest rate policy would distort the economic structure even more, would jeopardize the business models of pension funds and insurers, and would exacerbate real estate and stock market bubbles;**
- **Abandoning the low interest rate policy would risk a credit collapse or at least a severe recession.**

Currently, five currency areas have already introduced negative interest rates. In order to increase leeway for this measure, topics like the abolition of cash have entered the discussion. The prospective benefits of negative interest rates are however low. Although the debt burden could theoretically be reduced on the back of savers, the underlying structural problems of the economy would be exacerbated. Probably neither growth nor consumer price inflation objections would be achieved. **Gold, however, is highly likely to benefit, as the pool of attractive investment alternatives is shrinking.**

Gold price change at different real yields

	Real Yield Environment		
	low (<0%)	moderate (0-4%)	high (>4%)
Ø Monthly change	1,40%	0,50%	-0,70%
Standard deviation	0,50%	0,30%	0,70%

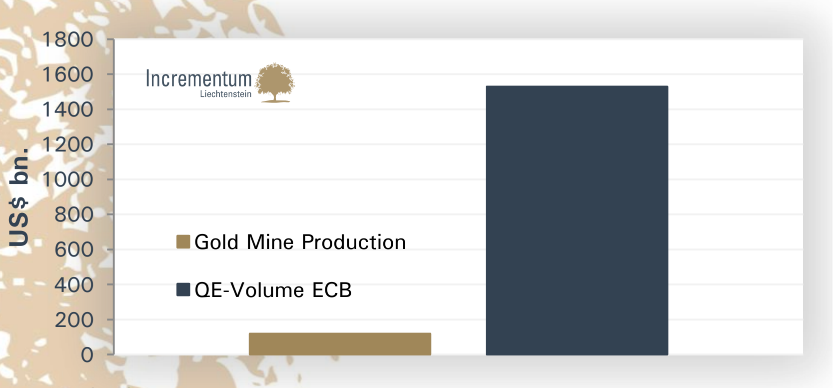
Source: World Gold Council, Incrementum AG

But what if negative interest rates should not prove effective in terms of boosting growth? As a last resort, helicopter money could be applied, which would undoubtedly trigger consumer price inflation. **However, this would be brinkmanship, as fine-tuning the momentum of inflation will prove very difficult. In case of overheating, gold will rally.**

The already tense political situation in Europe has been complicated further with the Brexit, which had not been expected by the markets. In order to curb the threat of a further disintegration of the European Union, recent developments are likely to turn out to be a catalyst for even more economic stimulus packages. It may even be a trigger for trying out helicopter money (potentially on both sides of the Channel). Germany, which has been perpetually arguing for fiscal discipline, has lost a major ally in the fight for conservative financing and is now pretty much alone in keeping the flag flying.

However, the current QE programs are already of appalling size. For illustrative purposes, the analysts compare the amount of the artificially created money with the equivalent of the current gold production. Priced at USD 1,200, the ECB could have bought 4,698 tons of gold in the first quarter of 2016 with the current volume of its QE programs (an amount equivalent to 6.49 times the global gold production during the quarter). **Adding the QE of the Bank of Japan, the total value of the freshly created money throughout 2016 would be equivalent to 35,625 tons. Incredibly, within just 30 days, the BoJ and the ECB together print an amount equivalent to the value of the entire world's annual production of gold.**

Gold Mine Production vs. QE Volume ECB - 2016*



*Projection
Source: FRED, ECB, World Gold Council, Incrementum AG

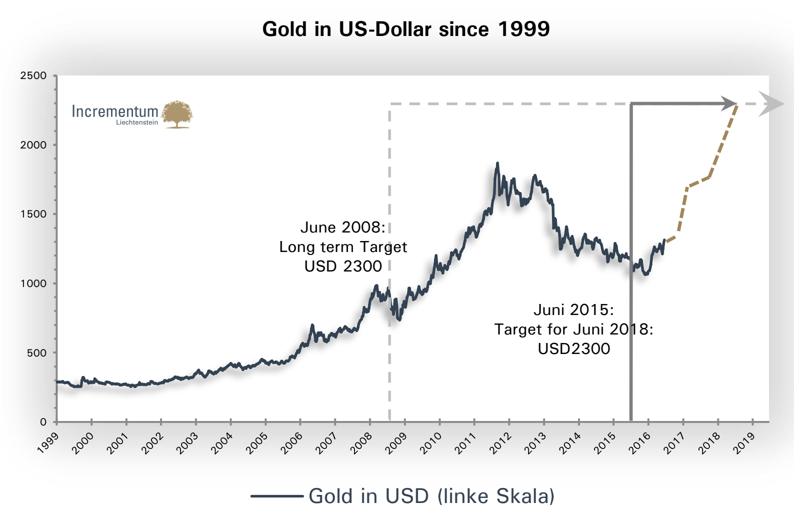
Concerning the United States, the widespread belief in the recovery of the US economy as well as in the (expected) monetary tightening cycle have led to a strong dollar during the last years. This in turn has put pressure on the gold price. Moreover, the example set by the US economy seemed to verify the healing properties of (Neo-)Keynesian economic policy, which had a negative impact on the gold price as well.

If the Fed fails with the planned normalization of interest rates, this could cause the already crumbling narrative of economic recovery to collapse. Meanwhile, signs of an economic slowdown in the US are increasing, a recession (or even stagflation) is within the realms of possibility. Stöferle and Valek state that it is unrealistic to assume that the Fed will be able to stick to the plan of further tightening – more realistically, a resumption of expansionary policy should be expected, especially after the most recent Brexit decision.

Valek notes: **"The narrative of economic recovery is to a large extent an illusion. Together with the rally in asset prices, it created a positive atmosphere in the markets for several years, while gold was abandoned. Now, however, the tide seems to be turning."**

Growing uncertainty as well as central bankers' determination to further inflate the system have paved the way for a resurgence in gold and inflation-sensitive assets. Gold mining stocks appear to be very interesting again as well. The industry has gone through a period of creative destruction and the remaining companies have emerged from the crisis leaner and stronger. As part of the market adjustment, new priorities have been set, such as profitability, capital discipline and shareholder value. Now it remains to be seen whether the sector can deliver on these commitments and rebuild investor confidence. **The jaw-dropping rally during the first few months of 2016 can be seen as a hint of what may lie ahead – and mining stocks still appear to be strongly undervalued. After the sector's reorganization, it is very likely that mining stocks will once again exhibit attractive gold price leverage.**

Stöferle made the call for a long-term price target of USD 2,300, already back in June 2008. After the gold price rallied to its (nominal) all-time-high of USD 1,920 in September 2011, a corrective phase set in, which turned into a full-blown bear market in 2013. But whereas the majority of analysts subsequently assumed the gold price to trend lower for many years, the authors stuck to the thesis that gold is still in a secular bull market. **Last year, when most conventional indicators still looked bearish, they proclaimed that their long-term price target of USD 2,300 will be achieved in June 2018, which they confirm in this year's gold report.**



Source: Federal Reserve St. Louis, Incrementum AG

About the "In Gold we Trust" report:

Ronald-Peter Stoeferle has written the 'In Gold we Trust' study for 10 consecutive years. For 3 years it has been co-authored by his partner Mark Valek. It provides a "holistic" assessment of the gold sector and the most important factors influencing it, including real interest rates, opportunity costs, debt, central bank policy etc.

The authors are proud that the following highly renowned companies are "Premium Partners" of the report: **Philoro EDELMETALLE GmbH, Münze Österreich AG, Endeavour SilverCorp., Bullion Capital Ltd., Global Gold Inc., ÖGUSSA GmbH and Tocqueville Asset Management L.P.**

Ronald-Peter Stöferle, CMT

Ronald is a managing partner of Incrementum AG. Together with Mark Valek, he manages a global macro fund which is based on the principles of the Austrian School of Economics. In 2014 he co-authored a book on Austrian Investing.

Previously, he worked seven years for Vienna-based Erste Group Bank where he began writing extensive reports on gold and oil. His benchmark reports called 'In GOLD we TRUST' drew international coverage on CNBC, Bloomberg, the Wall Street Journal and the Financial Times.

During his studies in business administration, economics and finance at the Vienna University of Economics and the University of Illinois at Urbana-Champaign, he worked for Raiffeisen Zentralbank (RZB) in the field of Credit Investments. After graduation, he participated in various courses in Austrian Economics and obtained a Chartered Market Technician (CMT) and a Certified Financial Technician (CFTe) designation. Next to his work at Incrementum he is a lecturing member of the Institute of Value based Economics and lecturer at the Academy of the Vienna Stock Exchange.

Mark Valek, CAIA

Mark is founding partner and investment manager of Incrementum AG. Together with Ronald Stoeferle he manages a global macro fund, which is based on the principles of the Austrian School of Economics. In 2014 he co-authored a book on Austrian Investing.

Before founding Incrementum he worked at Raiffeisen Capital Management for more than ten years. There he was fund manager and responsible for inflation protection strategies and alternative investments. During his studies Mark worked in equity trading at Raiffeisen Zentralbank and at Merrill Lynch Private Banking in Vienna and Frankfurt.

Mark's education includes a degree in business administration from the Vienna University of Economics and Business Administration. He is CAIA charterholder and Certified Portfolio Manager. Next to his work at Incrementum he is a lecturing member of the Institute of Value based Economics and lecturer at the Academy of the Vienna Stock Exchange

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About Incrementum AG

Incrementum AG is an owner-managed and fully licensed asset manager & wealth manager based in the Principality of Liechtenstein. Our business focus is the management of investment funds that we believe to be unique.

What makes us exceptional in the traditional asset management space? We evaluate all our investments not only from a global economy perspective but taking the current state of the global monetary regime into account. This analysis produces what we consider **a truly holistic view** of the state of financial markets. We believe our profound understanding of monetary history, out-of-the-box reasoning and prudent research allows our clients to prosper in this challenging market environment.

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